

Property Tax Payments, 2002-2003

- Warren County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Warren County from \$1.6 Million in 2002 to \$2.8 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Warren County, state tax credits

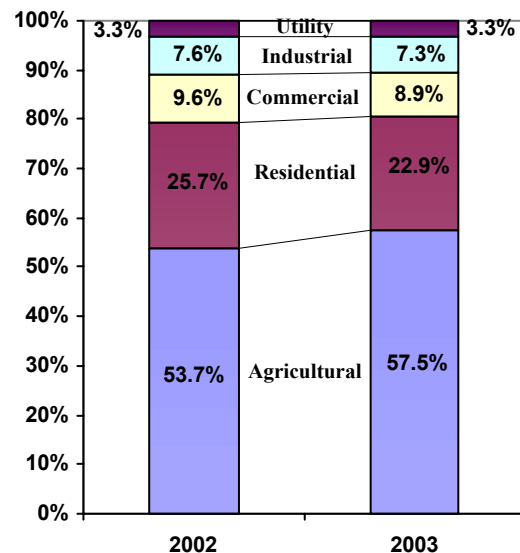
Table 1. Changes in AV and Tax Bills by Property Class for Warren County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	86.3%	79.6%	-11.2%
Residential (All)	82.0%	48.3%	-26.1%
Homestead Only	81.0%	36.7%	-33.7%
Commercial	39.2%	37.0%	-22.8%
Industrial	32.4%	27.5%	-20.1%
Utility	39.4%	39.4%	-18.0%
Avg. All Classes	75.8%	62.7%	-17.0%

increased from \$1.6 million to \$2.8 million, an increase of \$1.2 million. This paper provides a brief summary of how these factors changed property tax liabilities in Warren County.

Tax Shifts. Tax bills for all classes of property in Warren County decreased substantially in 2003 (see Table 1). The reason was that the overall tax levy in Warren increased very little, so the added property tax relief from tax restructuring decreased net tax payments for all property classes. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The sizes of the tax cuts depended on changes in gross and net assessed values. The total of gross real plus personal property assessed values (AV) of agricultural and residential property increased more than the gross assessed values of business property. Residential net AV increased less because of the increase in the homestead deduction. Only the homestead portion of agricultural property was eligible for this deduction. Consequently,

Figure 1. Share of Net Property Tax Billings in Warren County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

agricultural net AV increased more than net AV of other property classes, and agriculture received the smallest tax cut. These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of agricultural homesteads in Warren County saw their tax bills decrease by an amount comparable to that of the average residential property decrease. Residential homestead tax bills decreased by more. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, decreased much less than for homestead property. This happened because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Warren County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, almost nine out of ten homestead owners saw decreases rather than increases.

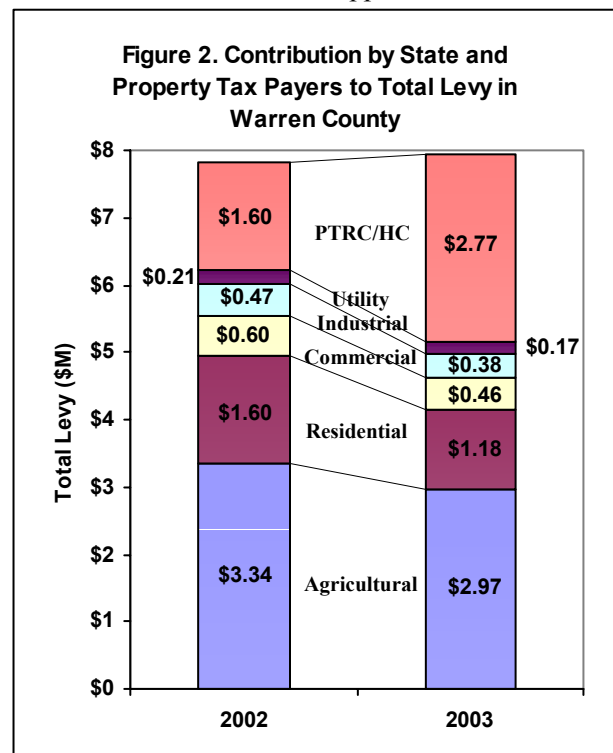
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Warren County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	39.7%	10.5%	39.0%	9.7%
Decreased	60.3%	89.5%	61.0%	90.3%
Increased 100% or More	15.3%	1.6%	15.1%	1.6%
Decreased 25% or More	42.1%	71.8%	42.8%	72.8%
Average Change (\$)	-\$121	-\$242	-\$124	-\$245
Average Change (%)	-28.6%	-37.1%	-29.4%	-37.5%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

The results with and without levy changes are almost the same for Warren County, because Warren's overall tax levy increased very little in 2003. With or without levy increases, reassessment and restructuring reduced the taxes of substantially more homeowners than they increased.

Agriculture. Taxes on agricultural property in Warren County declined. Overall, agricultural business taxes declined less than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell substantially in Warren County. Gross assessed values rose much less than residential and agricultural gross assessments. Business



real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. In Warren County the general rise in assessed values and the very small increase in tax levies reduced tax rates, and this cut tax bills more for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Warren County by PTRC and state homestead credit payments increased by approximately 72%, from \$1.6 million to \$2.8 million.

Table 3 shows estimates of how Warren County tax bills would have changed for each property type had tax restructuring not been adopted. Taxes of residential and agricultural property owners would have increased. The increases in the homestead deduction and PTRC in the tax restructuring eliminated these tax increases. Warren County residential property taxes decreased because the reassessment business-to-residential tax shift, plus the small increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial and industrial property. The percentage changes in the "With Restructuring" column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Warren County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	7.0%	-11.2%	-18.2%
Residential (All)	16.7%	-26.1%	-42.8%
Homestead Only	21.6%	-33.7%	-55.3%
Commercial	-15.8%	-22.8%	-7.1%
Industrial	-17.2%	-20.1%	-2.9%
Utility	-23.9%	-18.0%	5.9%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Warren County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	265,735,718	150,368,338	89,339,537	73,388,416	12,897,061	13,130,687	0
Real Deductions	23,650,799	6,359,979	16,766,894	16,766,894	384,094	139,734	0
Real Net Assessed Value	242,084,919	144,008,359	72,572,643	56,621,522	12,512,967	12,990,953	0
Personal Gross Assd. Value	48,788,158	14,703,051	1,342,787	0	13,864,047	9,525,658	9,352,615
Personal Deductions	2,783,630	0	3,100	0	1,119,240	1,661,290	0
Personal Net Assd. Value	46,004,528	14,703,051	1,339,687	0	12,744,807	7,864,368	9,352,615
Total Gross Assessed Value	314,523,876	165,071,389	90,682,324	73,388,416	26,761,107	22,656,345	9,352,615
Total Deductions	26,434,429	6,359,979	16,769,994	16,766,894	1,503,334	1,801,024	0
Total Net Assessed Value	288,089,447	158,711,410	73,912,330	56,621,522	25,257,773	20,855,321	9,352,615
Gross Levy	7,804,917	4,127,270	2,130,956	1,629,066	725,451	571,696	249,545
PTRC (Calculated)	1,375,171	721,922	378,457	289,112	129,038	101,842	43,911
State/County Homestead Cr. (Calculated)	213,837	62,289	151,548	151,548	0	0	0
Net Levy	6,215,910	3,343,059	1,600,950	1,188,406	596,413	469,854	205,634
Pay 2003							
Real Gross Assessed Value	488,077,750	288,795,140	163,274,962	132,849,454	20,277,888	15,729,730	0
Real Deductions	81,619,569	22,478,689	55,466,997	55,466,997	997,125	2,676,728	0
Real Net Assessed Value	406,458,181	266,316,451	107,807,965	77,382,457	19,280,763	13,053,002	0
Personal Gross Assd. Value	64,731,899	18,682,104	1,780,902	0	16,962,630	14,269,431	13,036,832
Personal Deductions	2,369,681	0	540	0	1,646,154	722,987	0
Personal Net Assd. Value	62,362,218	18,682,104	1,780,362	0	15,316,476	13,546,444	13,036,832
Total Gross Assessed Value	552,809,649	307,477,244	165,055,864	132,849,454	37,240,518	29,999,161	13,036,832
Total Deductions	83,989,250	22,478,689	55,467,537	55,466,997	2,643,279	3,399,715	0
Total Net Assessed Value	468,820,399	284,998,555	109,588,327	77,382,457	34,597,239	26,599,446	13,036,832
Gross Levy	7,921,348	4,597,112	1,973,112	1,384,057	633,405	502,630	215,088
PTRC (Calculated)	2,569,129	1,567,537	654,887	460,726	173,074	127,175	46,455
State/County Homestead Cr. (Calculated)	195,210	59,857	135,353	135,353	0	0	0
Net Levy	5,157,010	2,969,718	1,182,872	787,979	460,331	375,456	168,633

COMPARISONS

Net Levy Percent Change	-17.0%	-11.2%	-26.1%	-33.7%	-22.8%	-20.1%	-18.0%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	83.7%	92.1%	82.8%	81.0%	57.2%	19.8%	
Gross Personal AV	32.7%	27.1%	32.6%	0.0%	22.3%	49.8%	39.4%
Total Gross Assessed Value	75.8%	86.3%	82.0%	81.0%	39.2%	32.4%	39.4%
Net Assessed Value	62.7%	79.6%	48.3%	36.7%	37.0%	27.5%	39.4%
Gross Levy	1.5%	11.4%	-7.4%	-15.0%	-12.7%	-12.1%	-13.8%
Net Levy	-17.0%	-11.2%	-26.1%	-33.7%	-22.8%	-20.1%	-18.0%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	1,377,208	2,569,907	1,192,699	86.6%
State Homestead Cr. (Abstract)	227,047	196,581	-30,466	-13.4%
Total State Credits (Abstract)	1,604,254	2,766,488	1,162,233	72.4%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Warren County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	3,343,059	2,969,718	-373,341	-11.2%	53.7%	57.5%	3.8%
Residential	1,600,950	1,182,872	-418,078	-26.1%	25.7%	22.9%	-2.8%
Commercial	596,413	460,331	-136,082	-22.8%	9.6%	8.9%	-0.7%
Industrial	469,854	375,456	-94,398	-20.1%	7.6%	7.3%	-0.3%
Utility	205,634	168,633	-37,001	-18.0%	3.3%	3.3%	0.0%
Exempt	4,468	3,511	-957	-21.4%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	6,220,378	5,160,521	-1,059,857	-17.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,029,451	2,737,210	-292,241	-9.6%	48.7%	53.0%	4.3%
Residential	1,571,397	1,163,110	-408,287	-26.0%	25.3%	22.5%	-2.7%
Commercial	311,053	248,576	-62,477	-20.1%	5.0%	4.8%	-0.2%
Industrial	282,813	158,388	-124,425	-44.0%	4.5%	3.1%	-1.5%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	4,468	3,511	-957	-21.4%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	5,199,182	4,310,795	-888,387	-17.1%	83.6%	83.5%	0.0%
Agricultural Homesteads	728,608	542,524	-186,084	-25.5%	11.7%	10.5%	-1.2%
Residential Homesteads	1,188,406	787,979	-400,427	-33.7%	19.1%	15.3%	-3.8%
Total Homesteads	1,917,014	1,330,503	-586,511	-30.6%	30.8%	25.8%	-5.0%
Non-Homestead Residential	382,991	375,131	-7,860	-2.1%	6.2%	7.3%	1.1%
Apartments (Over 4 Units)	48,922	45,574	-3,348	-6.8%	0.8%	0.9%	0.1%
<u>Personal Property Only</u>							
Agricultural	313,608	232,508	-81,100	-25.9%	5.0%	4.5%	-0.5%
Residential	29,553	19,762	-9,791	-33.1%	0.5%	0.4%	-0.1%
Commercial	285,360	211,755	-73,605	-25.8%	4.6%	4.1%	-0.5%
Industrial	187,041	217,068	30,027	16.1%	3.0%	4.2%	1.2%
Utility	205,634	168,633	-37,001	-18.0%	3.3%	3.3%	0.0%
Total	1,021,196	849,726	-171,470	-16.8%	16.4%	16.5%	0.0%
Total Depreciables	652,592	615,590	-37,002	-5.7%	10.5%	11.9%	1.4%
Total Inventory	339,050	214,374	-124,676	-36.8%	5.5%	4.2%	-1.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,300,843	2,194,686	-106,157	-4.6%	37.0%	42.5%	5.5%
Ag Personal	313,608	232,508	-81,100	-25.9%	5.0%	4.5%	-0.5%
Total Ag Business	2,614,451	2,427,194	-187,257	-7.2%	42.0%	47.0%	5.0%
Ag Homesteads	728,608	542,524	-186,084	-25.5%	11.7%	10.5%	-1.2%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Warren County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	158,711,410	284,998,555	126,287,145	79.6%	55.1%	60.8%	5.7%
Residential	73,912,330	109,588,327	35,675,997	48.3%	25.6%	23.4%	-2.3%
Commercial	25,257,773	34,597,239	9,339,466	37.0%	8.8%	7.4%	-1.4%
Industrial	20,855,321	26,599,446	5,744,125	27.5%	7.2%	5.7%	-1.6%
Utility	9,352,615	13,036,832	3,684,217	39.4%	3.2%	2.8%	-0.5%
Exempt	189,180	310,850	121,670	64.3%	0.1%	0.1%	0.0%
Undefined	-2	0	2	-100.0%	0.0%	0.0%	0.0%
Total	288,278,627	469,131,249	180,852,622	62.7%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	144,008,359	266,316,451	122,308,092	84.9%	50.0%	56.8%	6.8%
Residential	72,572,643	107,807,965	35,235,322	48.6%	25.2%	23.0%	-2.2%
Commercial	12,512,967	19,280,763	6,767,796	54.1%	4.3%	4.1%	-0.2%
Industrial	12,990,953	13,053,002	62,049	0.5%	4.5%	2.8%	-1.7%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	189,180	310,850	121,670	64.3%	0.1%	0.1%	0.0%
Undefined	-2	0	2	-100.0%	0.0%	0.0%	0.0%
Total	242,274,100	406,769,031	164,494,931	67.9%	84.0%	86.7%	2.7%
Agricultural Homesteads	36,738,216	56,988,919	20,250,703	55.1%	12.7%	12.1%	-0.6%
Residential Homesteads	56,621,522	77,382,457	20,760,935	36.7%	19.6%	16.5%	-3.1%
Total Homesteads	93,359,738	134,371,376	41,011,638	43.9%	32.4%	28.6%	-3.7%
Non-Homestead Residential	15,951,121	30,425,507	14,474,386	90.7%	5.5%	6.5%	1.0%
Apartments (Over 4 Units)	1,823,017	3,208,285	1,385,268	76.0%	0.6%	0.7%	0.1%
<u>Personal Property Only</u>							
Agricultural	14,703,051	18,682,104	3,979,053	27.1%	5.1%	4.0%	-1.1%
Residential	1,339,687	1,780,362	440,675	32.9%	0.5%	0.4%	-0.1%
Commercial	12,744,807	15,316,476	2,571,669	20.2%	4.4%	3.3%	-1.2%
Industrial	7,864,368	13,546,444	5,682,076	72.3%	2.7%	2.9%	0.2%
Utility	9,352,615	13,036,832	3,684,217	39.4%	3.2%	2.8%	-0.5%
Total	46,004,528	62,362,218	16,357,690	35.6%	16.0%	13.3%	-2.7%
Total Depreciables	29,110,575	44,883,161	15,772,586	54.2%	10.1%	9.6%	-0.5%
Total Inventory	15,554,265	15,698,695	144,430	0.9%	5.4%	3.3%	-2.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	107,270,143	209,327,533	102,057,390	95.1%	37.2%	44.6%	7.4%
Ag Personal	14,703,051	18,682,104	3,979,053	27.1%	5.1%	4.0%	-1.1%
Total Ag Business	121,973,194	228,009,637	106,036,443	86.9%	42.3%	48.6%	6.3%
Ag Homesteads	36,738,216	56,988,919	20,250,703	55.1%	12.7%	12.1%	-0.6%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Warren County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	94%	55%	-22%	-23%
Comparable Residential Real Prop.	80%	42%	-29%	-29%
Comparable Homesteads	79%	30%	-37%	-38%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	339	9.7%	10	0.6%	341	9.7%	10	0.6%
200%	to 300%	63	1.8%	6	0.3%	61	1.7%	6	0.3%
100%	to 200%	132	3.8%	12	0.7%	130	3.7%	12	0.7%
50%	to 100%	168	4.8%	11	0.6%	154	4.4%	12	0.7%
25%	to 50%	227	6.5%	37	2.0%	223	6.4%	27	1.5%
10%	to 25%	214	6.1%	44	2.4%	209	6.0%	41	2.3%
5%	to 10%	76	2.2%	18	1.0%	70	2.0%	25	1.4%
0	to 5%	171	4.9%	51	2.8%	178	5.1%	42	2.3%
0	to -5%	100	2.9%	30	1.7%	103	2.9%	32	1.8%
-5%	to -10%	116	3.3%	46	2.5%	110	3.1%	47	2.6%
-10%	to -25%	423	12.1%	243	13.5%	425	12.1%	237	13.1%
-25%	to -50%	1,011	28.9%	901	49.9%	1,001	28.6%	889	49.3%
Below	-50%	464	13.2%	396	21.9%	499	14.2%	425	23.5%
		3,504	100.0%	1,805	100.0%	3,504	100.0%	1,805	100.0%
Parcels With Increases		1,390	39.7%	189	10.5%	1,366	39.0%	175	9.7%
Parcels With Reductions		2,114	60.3%	1,616	89.5%	2,138	61.0%	1,630	90.3%
Average \$ Change		-\$121		-\$242		-\$124		-\$245	
Average % Change		-28.6%		-37.1%		-29.4%		-37.5%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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